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FARM CREDIT ADMINISTRATION
Cooperative Division
Washington, D. C.

SURVEY OF THREE MARYLAND COOPERATIVE MILK TRUCKING ASSOCIATIONS

by

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Senior Agricultural Economist

Research, Service, and
Educational Series

Miscellaneous
Report No. 2

January, 1935

INV. '60

100.3
M68
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FOREWORD

This report gives information relative to the background, type of organization, method of operating, and accomplishments of three farmers' cooperative trucking associations in Maryland engaged in the direct hauling of milk from roadside stands to milk distributors in Baltimore.

The results of the operations of these associations, which are pioneers in their field, are illustrative of the very important service which associations of this type may perform. Producers in other areas who organize associations for similar purposes can no doubt benefit greatly by the experience of these organizations, but, in addition, should obtain information, advice, and assistance from local, state, and federal agencies, and from a competent attorney who is familiar with the law pertaining to farmers' cooperatives.

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SUMMARY

1. Three farmers' cooperative associations engaged in the direct hauling of milk by truck from roadside stands to Baltimore have been in operation in Baltimore and Harford counties, Maryland, since 1918, 1920, and 1926.
2. These cooperative trucking associations were organized by milk producers for two primary purposes, viz: (1) to reduce the cost of hauling their milk to Baltimore, and (2) to enable them to sell their milk directly to the Baltimore distributors instead of to truckers or to other local and country buyers as had been done previously.
3. The associations are organized under the general corporation laws of Maryland as stock associations.
4. These organizations are small in size, simple in operation, and are organized and operated very similarly. They have no agreements or contracts with members and are not affiliated with the large farmers' milk bargaining association in Baltimore.

5. These associations operate only as carriers; they do not take title to the milk or market it for the producers.
6. Although a relatively small volume of general freight back-hauling is done, the chief operation is the hauling of milk in cans from roadside stands to Baltimore. In 1933 the three associations hauled a total of 1,861,110 gallons or 16,005,546 pounds of milk.
7. The average annual volume of milk hauled per route since 1926 has varied from 273,000 pounds to 463,000 pounds.
8. Since organizing, one association has increased its members from 35 to 111, another from 50 to 93, and another from 10 to 23, making a total of 227 members for the three associations in 1934.
9. Due chiefly to the authority and control of the Maryland Public Service Commission there is little or no overlapping of routes of the three associations or active competition with proprietary haulers.
10. The associations show a sound financial condition. The net worth of the two older associations on December 31, 1933, constituted 96.3 and 98.2 per cent of the total liabilities and net worth. The ratio of current assets to current liabilities was 15 to 1 and 27 to 1.
11. Records of the associations indicate that salaries constitute the largest item of cost, ranging from about one-fourth to nearly one-half of the total cost of hauling. Other important cost items are gas, oil, and grease; tires; repairs; depreciation; licenses; and insurance.
12. The members have had their milk hauled at cost, and the hauling charge has been reduced from time to time. The transportation charge in the beginning was four cents a gallon (46.5 cents per 100 pounds); since June, 1931, in none of the associations has it been more than two cents a gallon (23.3 cents per 100 pounds). These reductions in hauling charges, together with the distribution of earnings, have enabled the members of these associations to effect considerable savings in the hauling of milk.
13. It is claimed that the rates charged by these associations have influenced the lowering of the charges of the proprietary haulers, and thus these associations have proven to be of benefit also to the non-member producers in the area.
14. Each association has distributed its excess earnings from time to time either in the form of cash patronage dividends, lowered rates, or free haulage for a period.
15. Due to the relatively simple type of association and the function to be performed, little equipment and facilities are required. The trucks and garages comprise the entire capital goods investment.

16. The success of these associations in the cooperative hauling of milk has tended to unify the efforts of the farmers in the several communities, has tended to increase their loyalty to existing cooperatives, and should make further cooperative development much easier.
17. These trucking associations have assisted in keeping their members loyal to the efforts of the Maryland State Dairymen's Association, the cooperative milk bargaining association which furnishes over 95 per cent of the fluid milk required by the Baltimore market.
18. In addition to the economies effected these associations have developed also a more satisfactory trucking service than was available before their formation.
19. The experience gained in the direct hauling of milk by the members of these associations should be very helpful to farmers in other areas who contemplate the formation of associations for similar purposes.

INTRODUCTION

Due to the development of suitable and dependable motor trucks and to the building of good roads, the use of motor trucks to haul milk has shown enormous growth during the past 20 years. This growth is attributed in part to lower costs, in many instances, of hauling milk by truck and to other advantages which the hauling of milk by truck has over other methods of hauling. The rapidly increasing use of trucks has resulted in their adoption in many places not only to transport milk from the milk shipping or receiving stations to the larger markets but also in their greater use for the direct hauling of milk from the farms to the terminal markets.

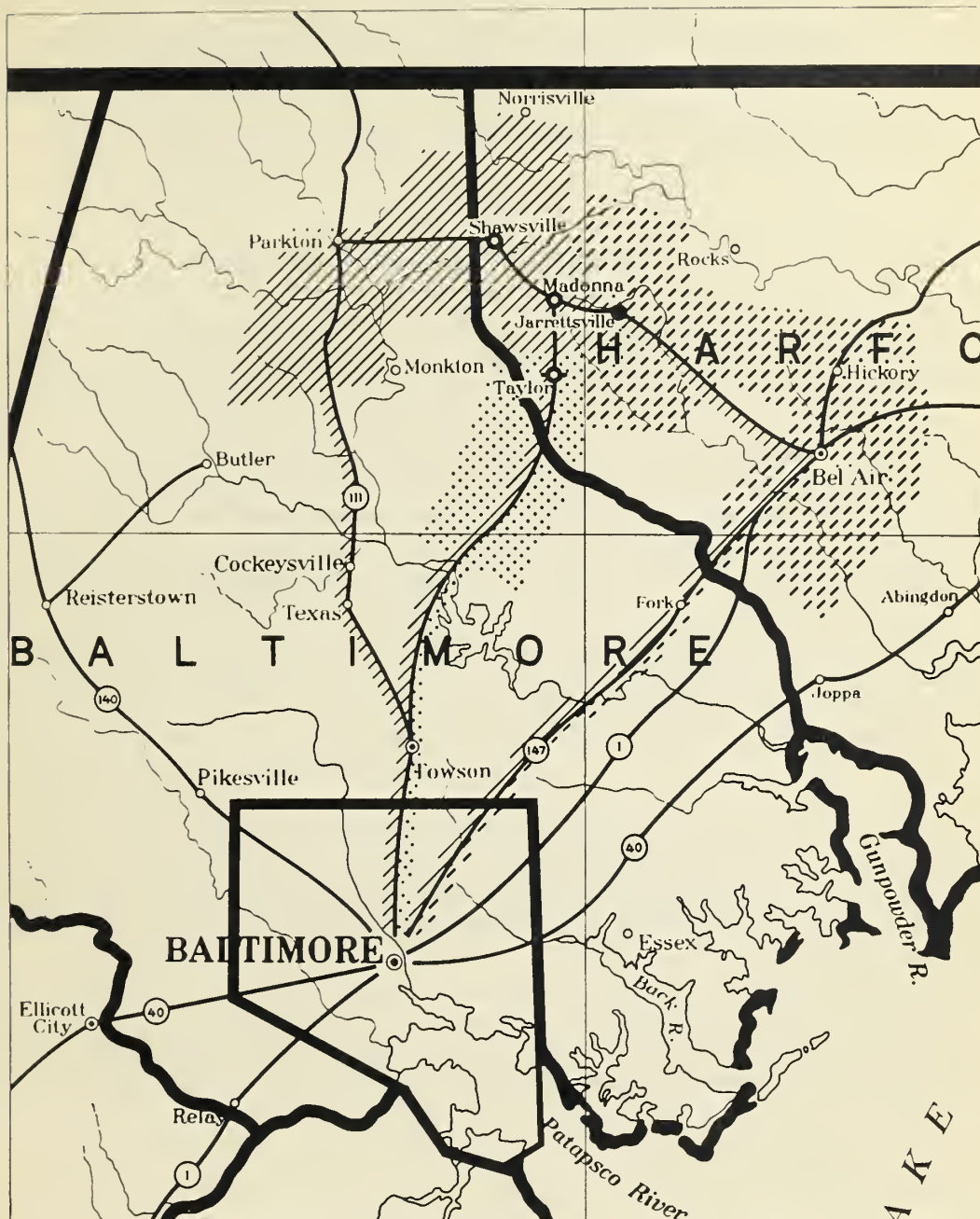
This development in the field of direct hauling of milk has encouraged milk producers in several instances to form cooperative motor truck associations to haul their milk from their farms directly to the terminal markets. Because of the producers' interest in reducing milk marketing costs and because of the apparent possibilities of accomplishments by such associations, studies and information relative to the cooperative hauling of milk by farmers' organizations now seem especially pertinent and timely.







An interesting and little known development in this field of cooperative effort among farmers is the organization and operation of three such cooperative fluid milk trucking associations in Baltimore and Harford counties, Maryland, which now haul the milk of more than two hundred producers from roadside stands directly to Baltimore. (Figure 1.) These associations have demonstrated that such farmer-owned and farmer-controlled associations have been and can be operated successfully. As one of these milk trucking associations has been in operation for 16 years, another for 14 years, and the newest for 8 years, all without interruption or reorganization, it is evident that such associations can continue to operate over a period of time.

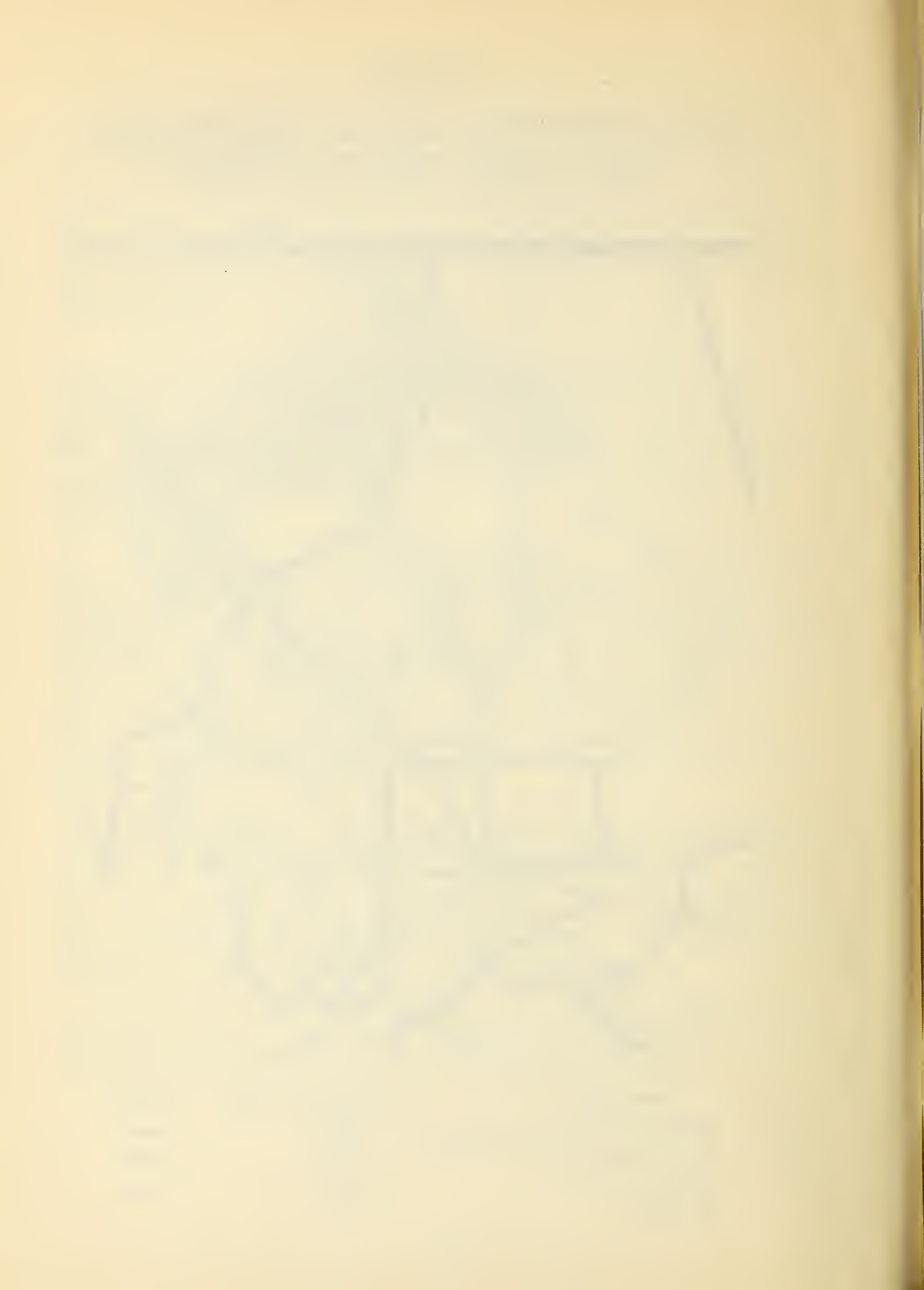
Because of the unusual character of these associations, their success, their period of operation, and because of the growing interest in the possibilities of cooperative trucking of farm products, the Cooperative Division of the Farm Credit Administration made a survey of these three associations. It is hoped that a discussion of the methods used by these organizations might be helpful to other groups of producers who may contemplate forming associations for similar purposes.

This survey was made in May, 1934, by visiting the officers, the truck drivers, and some of the members of the three associations. The officers of each association made available all of its records and data and furnished information covering its background and history.

FIGURE 1
LOCATION AND AREAS SERVED BY
THE THREE ASSOCIATIONS



Association	Association Area	Route
◐ Madonna and Shawsville		
◑ Jarrettsville		
◒ Taylor		



The names and addresses of the three associations, with the dates of incorporation, are:

Madonna and Shawsville Cooperative Company, Inc., of Harford County, White Hall, Maryland, incorporated June 29, 1918.

Jarrettsville Cooperative Truck Company, Jarrettsville, Maryland, incorporated December, 1920.

Taylor Cooperative Truck Company, Monkton, Maryland, incorporated August 1, 1926.

CONDITIONS LEADING TO ORGANIZATION

Prior to 1918 the milk in the Madonna and Shawsville area of northeastern Maryland was purchased from the producers by individuals or organizations who in turn sold the milk to the Baltimore milk distributors. This method of selling to haulers or buyers at the farm did not prove satisfactory to the producers. They believed that it would be an advantage to them to sell directly in Baltimore and to any distributor from whom satisfactory prices could be obtained. The producers at first attempted to hire the buyer of their milk to haul to Baltimore for them. This he did not wish to do, except for what seemed to the producers to be excessive charges. The producers then decided to form an association of their own to purchase a truck and haul their milk themselves. With no previous experience to guide them in this pioneer attempt, they incorporated the Madonna and Shawsville Cooperative Company, Inc., of Harford County, under the corporation laws of Maryland on June 29, 1918.

At the beginning there were only 35 members but the success of the organization soon attracted other shippers and members. No active attempt by the association to increase its membership and volume has been made. At the present time the Madonna and Shawsville Cooperative Company, Inc., has 111 active shippers. (Table 1.) The association started with one truck and one route in June, 1918. In February, 1920, it added a second truck and a new route. In September, 1922, it acquired the third route and third truck. The number of trucks or routes has not been increased since 1922, although the routes have been extended.

Table 1.- Hauling routes: Length, miles of pick-up, and number of shippers

Association and route	Miles to Baltimore	Miles of pick-up	Number of shippers
<u>Madonna & Shawsville</u>			
Route No. 1	40	14	39
Route No. 2	36	6	38
Route No. 3	38	12	34
<u>Jarrettsville</u>			
Route No. 1	41	7	42
Route No. 2	36	17	51
<u>Taylor</u>			
	22	5	23
Average	35.5	10.2	38

The Jarrettsville Cooperative Truck Company was formed in 1920 chiefly because the private hauler in that area was going out of business. The producers decided to buy his trucking business and to operate it in much the same manner as the Madonna and Shawsville association. The success of the Madonna and Shawsville association was in reality the underlying cause for the formation of the Jarrettsville association; the desire of the private hauler to sell his business gave the producers a favorable opportunity to start an association. Operations were begun with some 50 shippers. There are now 93 shippers. (Table 1.) One truck and route were operated until 1931 when the second truck and route were added.

The Taylor Cooperative Truck Company is the newest and smallest of the three. Because of hauling rates which were considered too high (probably in comparison to the costs of hauling of the two cooperative trucking associations operating only a few miles away), the producers acquired the business from the hauler on the route. This association started with 10 shippers; it now has 23. Only one medium-sized truck is operated. (Table 1.)

LEGAL SET-UP

The three associations are incorporated as stock associations under the corporation laws of Maryland. The Madonna and Shawsville association and the Jarrettsville association were organized prior to the passing of the Capper-Volstead Act and prior to the enactment of the Maryland statute pertaining to Farmers' cooperative associations. Neither of these associations have re-incorporated under the Maryland cooperative statute. The Jarrettsville association, however, in 1930 amended its articles of incorporation so as to bring the association under the Cooperative Act of Maryland. The Taylor association was incorporated under the general laws of Maryland authorizing the formation of cooperative associations.

Only common stock with a par value of \$10, \$20, and \$25 a share for the different associations is issued by these cooperatives. Usually there is a limitation upon the number of shares of stock which may be held by any one individual. Although most of the shares of stock were held originally by producers, some stock was sold to non-producers. The number of non-producer members is increasing as members formerly active move out of the community, die, or retire from farming. In one of the associations the non-producer members already outnumber the producer members. In the other two associations the time may come when the non-producers may be in the majority. For this reason these associations may not then be considered cooperative from a legal standpoint as they may no longer be controlled by patronizing members. Under the Federal income tax statute the U. S. Bureau of Internal Revenue denies exemption from income taxes to an association otherwise cooperative, unless substantially all of the voting stock is held by actual producers. In the case of cooperative associations formed with capital stock, suitable provisions should be made so that all voting stock may be kept in the hands of patronizing members.

The associations pay dividends at the rate of six per cent per annum on the outstanding stock. The articles of incorporation and by-laws of the associations place no limitation upon the dividends which may be paid on the capital stock. Since the limitation of dividends on stock and membership capital is one of the alternative requirements of the federal acts pertaining to farmers' cooperative associations and of most of the state statutes relative to the cooperative type of corporation, it appears advisable for cooperative trucking associations to include such a requirement or limitation in the articles of incorporation or by-laws. The Capper-Volstead Act, the Agricultural Marketing Act as amended, and the cooperative statutes of most states provide that a cooperative association may not pay dividends on stock or membership capital in excess of 8 per cent per annum. Because an association has been paying not in excess of 8 per cent dividends on its stock or membership capital it does not follow that it does not need to have or should not have a clause in the articles of incorporation or by-laws limiting the dividends to 8 per cent.

In one of the associations each member is allowed one vote only. In the other two associations each share of stock entitles its owner to one vote. It is an alternative requirement of the federal acts pertaining to farmers' cooperative associations and a requirement of most state cooperative statutes that no member of a cooperative association shall be allowed more than one vote because of the amount of stock or membership capital he may own in such a cooperative association.

The articles of incorporation of the associations provide that they have no authority to engage in the business of transportation except as a carrier for their members or stockholders. This provision definitely limits the operations to transporting milk and merchandise for members.

None of the associations have member marketing agreements or contracts, nor do they have any contractual relations with the Baltimore milk distributors. They are under no contract or other obligation to the Maryland State Dairymen's Association, the large fluid milk cooperative association which controls over 95 per cent of the fluid milk sold in Baltimore. Practically all producers in the Baltimore milk shed, however, are members of the Maryland State Dairymen's Association, and it naturally follows that all, or practically all, of the members of the three trucking associations are members of this cooperative milk organization. However, there is no requirement for such membership.

The articles of incorporation and the by-laws of the three trucking associations are very similar, those of the last two organized having been patterned after those of the first, the Madonna and Shawsville association.

The management of each of the associations is vested in a board of directors of five members, all chosen each year at the regular annual meeting of the members. The board of directors of the Jarrettsville association has met monthly during the past few years. It has been the practice of the Madonna and Shawsville and Taylor associations to have meetings of the board of directors only at the call of the president when there are important matters to be taken up. A closer control and supervision of the business of these associations might be effected by having regular meetings at least every three or four months if more frequent meetings are unnecessary. Since the boards consist of only five members, all living within the radius of a few miles, regular meetings could easily be held.

In the Madonna and Shawsville and Taylor associations, the secretary-treasurer acts as general manager. The Jarrettsville association has a general manager who is at the same time one of the truck drivers and in general charge of the two trucks. Besides the secretary-treasurer the associations have a president, the only other officer.

METHOD OF OPERATING

The associations are engaged in what in fluid milk marketing is termed "direct hauling." The milk is delivered by the producers to individual or group milk stands or platforms on the main roads in five, seven, and ten gallon cans. The trucks of the association pick up the cans of milk at these stands and haul them to Baltimore. They start to collect the milk at 6:30 to 7:30 in the morning (depending somewhat on the season), and arrive at the plants of the Baltimore milk distributors about two hours later.

The associations estimate that the average daily volume marketed per farmer is about 25 gallons, with a variation of from 3 to 80 gallons depending largely upon the route and to a lesser degree upon the season. As a rule each truck delivers to only one dealer in Baltimore.

Except for the Taylor association truck which has only a driver, each truck is operated by two men, a driver and a helper. The helper does most of the work of handling the cans. Besides doing the driving, the driver is responsible for the operation, maintenance, and repair of the truck.

When the milk has been unloaded (usually before 10:30 A.M.), the trucks of the Madonna and Shawsville association and of the Jarrettsville association report to a terminal point for the back-haul. The "terminal" is a building in the Bel Air Market area of Baltimore rented by two of the associations as a place for assembling freight to be hauled back to the milk shippers and to local merchants along the truck route. The back-haul usually consists of dry goods, groceries, farm machinery, fencing, packages, boxes, and other farm supplies. Due to the Baltimore health regulations no merchandise may be carried which is dusty or imparts undesirable odors or flavors to milk.

The charge for hauling freight is usually 15 cents a hundred-weight, \$2.00 a ton, 25 cents each for single packages, and 15 to 20 cents a package when there are several packages. The charge is often determined by the driver and depends largely upon the kind of merchandise. The trucks leave Baltimore with the cans and back-haul load about noon, and, after distributing the empty cans and the supplies, arrive at the end of the route usually about 3 P.M.

VOLUME OF BUSINESS

Complete data on volume of business are not available at the offices of the associations as the method of operating and the type of business does not necessitate the keeping of such records. The deductions from the individual returns to the producers for the hauling are now made directly by the milk distributors and the total amounts of these deductions are remitted to the associations monthly. For the purpose of this study in order to determine the number of gallons of milk hauled annually, the total milk freight income for each year was divided by the hauling charge per gallon. (Table 2.)

Table 2.- Calculated yearly volume of milk handled by each association, 1924-33

Year	Association		
	Madonna & Shawsville	Jarrettsville	Taylor
	<u>Gallons</u>	<u>Gallons</u>	<u>Gallons</u>
1924	---	<u>3/</u> 494,246	---
1925	---	<u>3/</u> 685,581	---
1926	<u>1/</u> 807,316	<u>3/</u> 738,715	---
1927	<u>1/</u> 917,523	<u>3/</u> 632,256	<u>4/</u> 290,578
1928	<u>1/</u> 914,032	<u>3/</u> 859,727	---
1929	<u>1/</u> 887,052	<u>3/</u> 870,707	---
1930	<u>1/</u> 1,054,932	<u>3/</u> 931,770	<u>4/</u> 328,663
1931	<u>2/</u> 1,543,379	<u>3/</u> 845,048	---
1932	<u>3/</u> 976,357	<u>3/</u> 876,087	<u>4/</u> 297,286
1933	<u>3/</u> 892,203	<u>3/</u> 745,805	<u>4/</u> 223,102
Average	940,329	767,994	284,907

1/ Fiscal year ending June 30th.

2/ 18 months ending December 31st.

3/ Fiscal year ending December 31st.

4/ Fiscal year ending July 31st. Due to free hauling during some months this volume should be somewhat larger.

The average annual volume of milk hauled by the Madonna and Shawsville association for the eight years, 1926 to 1933 inclusive, was 940,329 gallons (8,086,829 pounds). Data were available on the volume handled by the Jarrettsville association for ten years, 1924 to 1933. The average annual volume for this association was 767,994 gallons (6,604,748 pounds). The Taylor association for the four years, 1927, 1930, 1932 and 1933, handled an average annual volume of 284,907 gallons (2,450,200 pounds). In 1933, the three associations handled a total volume of 1,861,110 gallons or 16,005,546 pounds of milk. (Table 2.)

The difference in the average yearly volume of milk hauled by these associations, the difference in the total number of shippers (from 23 to 111, and from 23 to 51 shippers per truck route) and the difference in the number of trucks and routes (from one to three) have shown no marked effect upon the relative success of the three associations as reflected in the lowering of hauling rates, the financial condition, and the payment of patronage dividends. It is probable that the number of shippers (if not too widely scattered), or the number of trucks operated, will have little effect upon the success of trucking associations as long as these associations are operated economically and each truck carries a sufficient volume of milk to keep the per unit cost of hauling as low as possible.

A large proportion of the income of the associations is received from hauling milk and only a small proportion from hauling freight. The percentage of revenue from milk hauling in the Madonna and Shawsville association in 1928 was 90.6 per cent; in 1933 it was 96.5 per cent. In the Jarrettsville association the percentage of revenue from milk hauling was somewhat less, being 87.6 per cent in 1928 and 86.1 per cent in 1933. An average of 96 per cent of the hauling revenue of the Taylor association, in terms of value for the four years for which data are available, was from milk. (Table 3.) As some of the freight back-hauling is done for the producer members, all of this freight hauling cannot be considered non-producer business.

HAULING ROUTES

Although the three associations are operating a total of six milk routes in a relatively small area, there is little or no overlapping of routes. This is chiefly because the Maryland Public Service Commission limits and controls the carriers so that overlapping should not occur. Also, because of the franchise regulation by the Public Service Commission, there is no active competition with private haulers.

The pick-up stretch is relatively short, the longest being 17 miles and the shortest 5 miles with an average for all routes of 10.2 miles. The extreme distance which the routes reach out from Baltimore varies from 22 to 41 miles with an average of 35.5 miles. There were 227 shippers at the time this survey was made or an average of 38 shippers for the six routes. (Table 1.)

Table 3. - Amount and source of revenue and percentage of revenue from hauling milk, 1924 - 1933 ^{1/}

Year	Madonna and Shawsville				Jarrettsville				Taylor			
	Total revenue	Revenue from milk	Revenue from freight	Revenue from milk	Total revenue	Revenue from milk	Revenue from freight	Revenue from milk	Total revenue	Revenue from milk	Revenue from freight	Revenue from milk
	<u>Dollars</u>	<u>Dollars</u>	<u>Dollars</u>	<u>Per cent</u>	<u>Dollars</u>	<u>Dollars</u>	<u>Dollars</u>	<u>Per Cent</u>	<u>Dollars</u>	<u>Dollars</u>	<u>Dollars</u>	<u>Per Cent</u>
1924	---	---	---	---	19,759.95	14,827.38	4,932.57	75.0				
1925	---	---	---	---	25,178.81	20,567.42	4,611.39	81.7				
1926	28,905.29	27,583.58	1,321.71	95.4	26,646.49	22,161.46	4,485.03	83.2				
1927	27,530.19	25,231.88	2,298.31	91.7	22,823.55	18,967.68	3,855.87	83.1	7,572.70	7,264.45	308.25	97.2
1928	24,818.57	22,485.18	2,333.39	90.6	24,521.72	21,493.18	3,028.54	87.6	---	---	---	---
1929	21,706.46	19,958.66	1,747.80	91.9	25,466.67	21,767.68	3,698.99	85.5	---	---	---	---
1930	28,130.32	26,373.30	1,757.02	93.8	22,984.11	19,408.77	3,575.34	84.4	7,810.58	7,394.91	415.67	94.7
1931	37,719.16	36,067.76	1,651.40	95.6	18,927.22	16,900.96	2,026.26	89.3	---	---	---	---
1932	20,304.08	19,527.14	776.94	96.2	19,798.37	17,521.74	2,276.63	88.5	6,155.93	5,945.72	210.21	96.6
1933	18,534.37	17,884.06	650.31	96.5	17,322.64	14,916.09	2,406.55	86.1	4,800.58	4,462.03	338.55	92.9

^{1/} Calendar year basis for Madonna and Shawsville, and Jarrettsville associations; fiscal year, August 1 to July 31 for Taylor association.

The association trucks operate only on hard-surfaced roads. The route usually begins at the point where the truck driver lives and where the truck is kept, and runs in the general direction of Baltimore.

When several trucking associations operate within as small an area as these three Maryland associations there may be an overlapping of routes unless there is some regulation of the haulers by the state, or agreements between the associations as to the area of operation. An overlapping of routes may result in high operating costs due to a small volume for the truck mileage covered. An enlargement or extension of an organization or a consolidation or merging of several existing associations would probably be possible and advisable in most instances of duplication and should result in greater economy of operation. Such changes should reduce the overhead costs, result in better utilization of personnel and equipment, and make possible other economies due to a greater volume of business and to purchases of truck supplies in larger quantities.

FINANCIAL CONDITION

The most recent audit balance sheets available for the two older and larger associations (Madonna and Shawsville and Jarrettsville associations) show a sound financial condition. The current assets on December 31, 1933, constituted 55.5 and 47.4 per cent, respectively, of the total assets. Cash on hand and in banks amounted to about 38 per cent of the assets in each case. The ratio of current assets to current liabilities was 15 to one and 27 to one. Of the total liabilities and net worth, current liabilities amounted to only 3.7 to 1.8 per cent. The net worth constituted 96.3 and 98.2 per cent, and the surplus 73.3 and 75.6 per cent of the total liabilities and net worth. (Table 4.) The surplus averaged more than three times the amount of the capital stock outstanding.

Table 4.- Percentage analysis of condensed balance sheets of Madonna and Shawsville and Jarrestsville associations, as of December 31, 1933

Item	Madonna and Shawsville	Jarrettsville
	Per cent	Per cent
<u>ASSETS</u>		
Cash	38.2	37.4
Accounts receivable	17.3	10.0
Total current	55.5	47.4
Other	6.3	9.3
Fixed (net)	31.7	38.9
Deferred	6.5	4.4
Total	100.0	100.0
<u>LIABILITIES</u>		
Current	3.7	1.8
Capital stock	23.0	22.6
Surplus	73.3	75.6
Total	100.0	100.0

No recent audit reports or balance sheets were obtained from the Taylor association. The financial statement of the treasurer of this association as of July 31, 1933, showed, including a restricted bank balance, a cash balance of \$4,008.93. This cash balance is equivalent to 79 per cent of the total expenditures for the year ending July 31, 1933.

EARNINGS

Audit reports of the Madonna and Shawsville association show a rather wide fluctuation in profits and losses. In 1926 the association operated at a loss of \$107.87 and in 1927 it made a profit of \$2,643.16. In 1928 and 1929 it lost \$3,709.75 and \$3,123.65, respectively. The next two years, 1930 and 1931, it operated at profits of \$3,667.95 and \$4,832.53. For 1932 and 1933, the association incurred losses of \$1,413.60 and \$2,159.41. This fluctuation of profits and losses is due chiefly to the policy of this association to raise or lower the hauling charges in accordance with the financial condition of the organization. If the cash balance becomes too large, it is absorbed by reducing the hauling charges to a rate which does not cover the expenses. When the cash balance becomes too low or no further operating losses are to be sustained the hauling rate is increased to a level that will create a profit for the next year or two. The net earnings of the association thus benefit the members through the occasional lowering of the hauling charge rather than through the distribution of patronage dividends in the form of cash disbursement or other method of surplus distribution. (Table 5.)

Table 5.- Profit and loss for each association by years, 1924 to 1933

Year	Association		
	Madonna and Shawsville	Jarrettsville	Taylor <u>1</u>
	<u>Dollars</u>	<u>Dollars</u>	<u>Dollars</u>
1924	---	\$ 2,921.67	---
1925	---	2,936.95	---
1926	\$ -107.87	3,658.90	---
1927	2,643.16	508.16	---
1928	-3,709.75	3,933.73	---
1929	-3,123.65	3,416.27	---
1930	3,667.95	2,471.59	221.21
1931	4,832.53	-26.38	---
1932	-1,413.60	631.77	989.83
1933	-2,159.41	-918.25	-71.93

A minus sign (-) indicates loss.

1/ Represented by the increase or decrease in the cash balance.

The Jarrettsville association shows an operating profit of from \$508.16 to \$3,933.73 for eight out of the ten years since 1924. In 1931 and 1933 the association had operating losses of \$26.38 and \$918.25, respectively. This association attempts to operate at a profit every year and to distribute its surplus earnings in the form of cash patronage dividends. (Table 5.)

Of the three years for which data are available for the Taylor association, increases in its cash balances are shown for two years, \$221.21 in 1930 and \$989.83 in 1932, and a loss of \$71.93 in 1933. (Table 5.)

Besides the income from hauling milk and merchandise, the associations obtain an income from interest on cash in banks in savings accounts and time deposits. This interest income is small, however, and only in the Jarrettsville association has it exceeded the dividends paid on capital stock. In the Jarrettsville association for the five-year period, 1929-1933, the total interest income has exceeded the capital stock dividends by \$912.38. In the Madonna and Shawsville association, for the seven-year period, 1927-1933, the dividends paid on capital stock exceeded the interest received by \$300.56. The Taylor association, for the two years, 1932 and 1933, paid \$63.23 more as dividends on capital stock than was received as interest on bank deposits.

OPERATING COSTS

Data for as long a period as possible were obtained on the various items of costs entering into the operations. The principal item of operating costs were the salaries of the truck drivers and of the drivers' helpers. In 1933, of the total costs these salaries constituted 28.3 per cent for the Jarrettsville association, 29.7 per cent for the Madonna and Shawsville association, and 42.2 per cent for the Taylor association. The regular truck drivers received from \$22.50 to \$27.50 a week. The helpers were paid \$22.50 a week. The secretary-treasurer received a salary averaging, for the three associations, \$300.00, \$427.06 and \$200.00 a year. Other important items of expense are gas, oil, and grease; tires; repairs; depreciation; licenses; and insurance. The average annual cost of the various items and the percentage each item is of the total costs for each association for the period for which data are available, is shown in tables 6, 7, and 8.

Table 6.- Distribution of average annual costs of the Madonna and Shawsville Cooperative Company, Inc., July 1, 1925 to December 31, 1933

Item	Average	Percent of total
	<u>Dollars</u>	
Drivers' salaries	3,812.29	14.7
Helpers' salaries	3,894.88	15.0
Repairs and tires	4,460.41	17.2
Gas, oil, and grease	4,123.74	15.9
Truck hire	122.64	.5
Secretary's salary	300.00	1.2
Rent	343.65	1.3
License	2,607.88	10.1
Insurance	1,041.89	4.0
Stationery and printing	49.12	.2
Ice	377.20	1.5
Depreciation	3,244.49	12.5
Auditing	94.12	.4
Attorney's fees	14.71	.1
Sundry costs	1,024.92	4.0
Directors' fees and expenses	72.00	.3
Expense of meetings	144.96	.6
Taxes	140.37	.5
Total	25,869.26	100.0

Table 7.- Distribution of average annual costs of the Jarrettsville Cooperative Truck Company, January 1, 1924 to December 31, 1933

Item	Average	Percent of total
	<u>Dollars</u>	
Drivers' salaries	3,445.34	16.5
Helpers' salaries	2,453.51	11.8
Tires	1,434.10	6.9
Repairs	1,637.42	7.8
Gas, oil, and grease	3,089.72	14.8
Truck hire	472.96	2.3
Secretary's salary	427.06	2.0
Warehouse rent	476.20	2.3
Insurance	916.31	4.4
License	1,912.07	9.2
Claims	86.10	.4
Depreciation	3,247.93	15.6
Stationery and printing	90.38	.4
Ice	373.10	1.8
Sundry	224.51	1.1
Professional service	228.08	1.1
Directors' fees and expenses	206.26	1.0
Taxes	134.48	.6
Total	20,855.53	100.0

Table 8.- Distribution of average annual costs of the Taylor Cooperative Truck Company, August 1, 1931 to July 31, 1933

Item	Average	Percent of total
	<u>Dollars</u>	
Drivers' salary	1,285.00	27.3
Helper's salary	703.75	14.9
Gas, oil, grease	709.98	15.1
Truck maintenance	418.13	8.9
Tires	178.07	3.8
Ice	366.95	7.8
Insurance	368.06	7.8
License	238.64	5.1
Taxes	45.53	1.0
Treasurer's salary	200.00	4.2
Miscellaneous	191.53	4.1
Total	4,705.60	100.0

MILK HAULING CHARGES

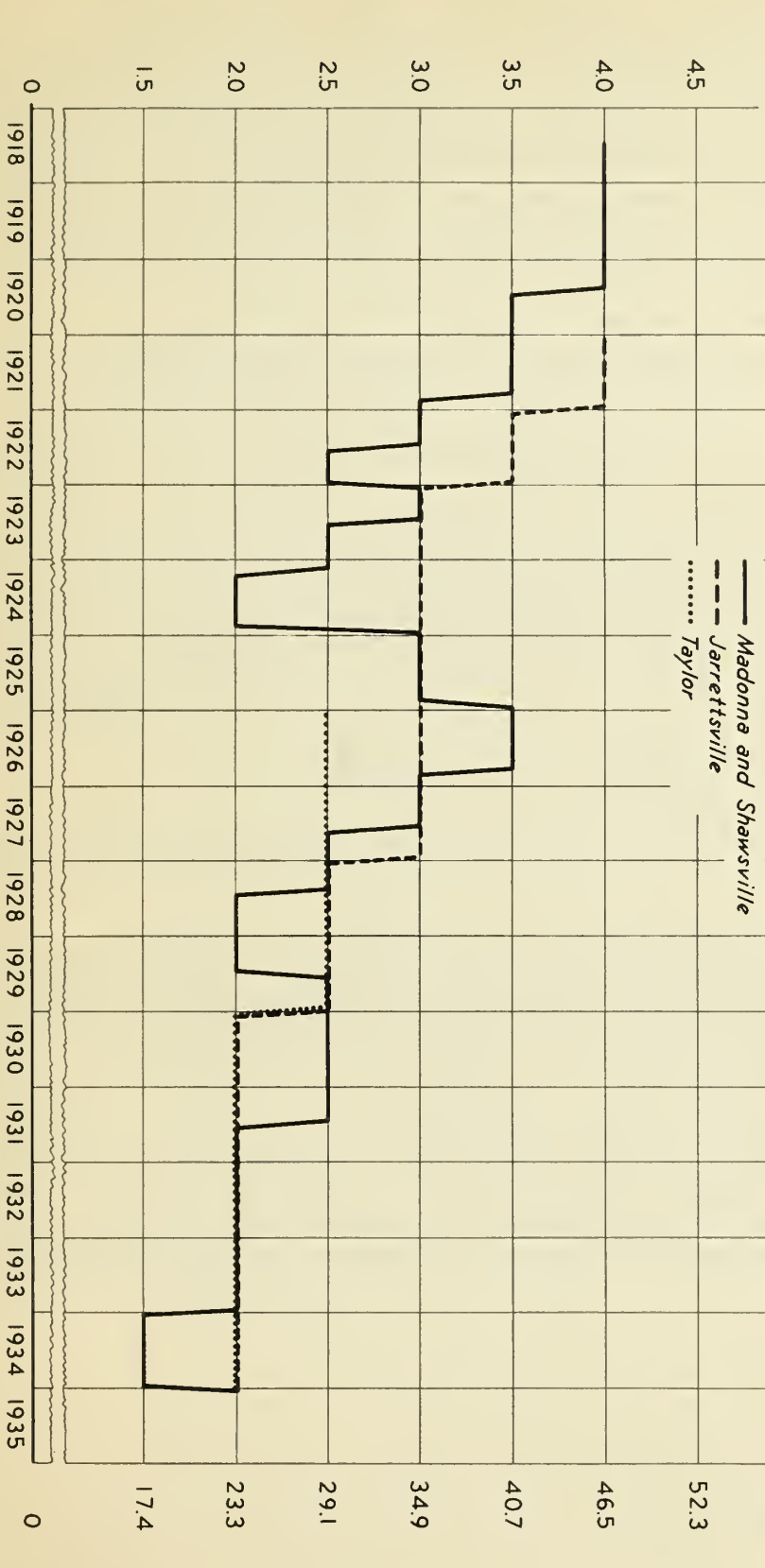
The hauling charges are on a flat basis, being the same for all members of an association regardless of the distance from Baltimore. This is because the length of pick-up, as shown above, is short, varying from five to 17 miles, and averaging only 10.2 miles. In 1926 the Jarrettsville association tried a zone differential basis, with a variation of one cent a gallon between the nearer and the more distant shippers. This differential plan was soon abandoned as being too burdensome and unfair.

The Madonna and Shawsville association made a charge of four cents a gallon (46.5 cents per 100 pounds) for hauling milk during its first two years of operation. The rate was reduced to three and one-half cents in June, 1920, and was lowered from time to time, with several temporary increases, until in January, 1934, it was reduced to one and one-half cents per gallon (17.4 cents per 100 pounds). The Jarrettsville association, beginning to operate two and one-half years later than the Madonna and Shawsville association, charged four cents a gallon during its first year of operation. This association has shown fewer changes in the hauling rate but has shown a reduction of one-half cent per gallon from time to time until January, 1930, when the rate reached two cents per gallon (23.3 cents per 100 pounds). The Taylor association, starting with a charge of two and one-half cents per gallon (29.1 cents per 100 pounds), reduced the rate to two cents per gallon in January, 1930. In January, 1935, all of these associations had a rate of two cents per gallon. (Table 9, Figure 2.) Due to the cooperative method of operating, the charges do not represent the actual net costs to the shippers, except possibly in the case of the Madonna and Shawsville association, which in 1934 had a charge of one-half cent per gallon below the other two associations. This smaller charge did not prove to be enough to result in revenue in excess of expenses for the association and the rate was increased to two cents per gallon on January 1, 1935.

Table 9.- Changes in charges for hauling milk from roadside stands to Baltimore, for each association since beginning of operation to January, 1935

Period	Madonna and Shawsville		Jarrettsville		Taylor	
	Per gal.	Per 100 lbs.	Per gal.	Per 100 lbs.	Per gal.	Per 100 lbs.
Year & Month	Cents	Cents	Cents	Cents	Cents	Cents
1918 June - Dec.	4.0	46.5				
1919 Jan. - Dec.	4.0	46.5				
1920 Jan. - May	4.0	46.5				
1920 June - Dec.	3.5	40.7				
1921 Jan. - Oct.	3.5	40.7				
1921 Nov. - Dec.	3.0	34.9	4.0	46.5		
1922 Jan. - June	3.0	34.9	3.5	40.7		
1922 July - Dec.	2.5	29.1	3.5	40.7		
1923 Jan. - June	3.0	34.9	3.0	34.9		
1923 July - Dec.	2.5	29.1	3.0	34.9		
1924 Jan. - Feb.	2.5	29.1	3.0	34.9		
1924 Mar. - Nov.	2.0	23.3	3.0	34.9		
1924 December	3.0	34.9	3.0	34.9		
1925 Jan. - Nov.	3.0	40.7	3.0	34.9		
1925 December	3.5	40.7	3.5 - 2.5	34.9-29.1	2.5	29.1
1926 Jan. - Oct.	3.5	40.7				
1926 Nov. - Dec.	3.0	34.9	3.0	34.9	2.5	29.1
1927 Jan. - July	3.0	34.9	3.0	34.9	2.5	29.1
1927 Aug. - Dec.	2.5	29.1	3.0	34.9	2.5	29.1
1928 Jan. - May	2.5	29.1	2.5	29.1	2.5	29.1
1928 June - Dec.	2.0	23.3	2.5	29.1	2.5	29.1
1929 Jan. - June	2.0	23.3	2.5	29.1	2.5	29.1
1929 July - Dec.	2.5	29.1	2.0	23.3	2.0	23.3
1930 Jan. - Dec.	2.5	29.1	2.0	23.3	2.0	23.3
1931 Jan. - June	2.5	29.1	2.0	23.3	2.0	23.3
1931 July - Dec.	2.0	23.3	2.0	23.3	2.0	23.3
1932 Jan. - Dec.	2.0	23.3	2.0	23.3	2.0	23.3
1933 Jan. - Dec.	2.0	23.3	2.0	23.3	2.0	23.3
1934 Jan. - Dec.	1.5	17.4	2.0	23.3	2.0	23.3
1935 Jan. -	2.0	23.3	2.0	23.3	2.0	23.3

FIGURE 2
 CHARGES FOR HAULING MILK FROM ROADSIDE STANDS TO BALTIMORE FOR
 EACH ASSOCIATION FROM BEGINNING OF OPERATIONS TO JANUARY, 1935



At first the record of each member's shipment was kept by the association drivers. This made it necessary for the secretary-treasurer to calculate the hauling charge for each shipper, and entailed a considerable amount of bookkeeping. In addition to this, the method of collecting hauling charges from the individual members did not prove satisfactory. At present the Baltimore distributors make the deductions directly from each shipper's returns and remit the total deductions to the associations each month. For this service the distributors charge the association 62½ cents for each thousand gallons of milk received.

The Public Service Commission of Maryland determines the rates to be charged by motor vehicles operating under its permits and engaged in transporting milk from points within the State to Baltimore. At present the base rate is from two to two and one-half cents a gallon, with an allowance of one-fourth cent a gallon per mile or fraction of a mile additional over dirt roads. As a result the rates charged by private haulers in the area are from two to two and one-half cents a gallon. The rates of the cooperative trucking associations do not come within the jurisdiction of the Public Service Commission however. The ultimate charges to the producer for having his milk hauled through his cooperative trucking association is the actual cost. Any earnings made above actual costs are distributable to the active members in the form of patronage dividends.

DISTRIBUTION OF EARNINGS

Each of the three associations has a different method of distributing to its shippers the savings made by it.

The Madonna and Shawsville association raises or lowers its charges from time to time to take care of any shortage or surplus of earnings. If excess funds are accumulating, the hauling charges may be reduced; if funds are running low or the association is operating at a loss, the charges may be increased. This raising and lowering of charges from time to time accounts for the fluctuation in the earnings made by this association from year to year, and is the reason that this association had the lowest per gallon hauling charge of the three at one time. As cash and other quick assets at the beginning of 1934 equalled over half the total average cost of operating for an entire year, this association was able to maintain the low hauling rate and still have an adequate surplus at the end of the year.

There is some question as to the fairness of the policy of distributing surplus earnings by lowering the hauling charge from time to time. Producers who have shipped milk through the association in the past have helped to build up the surplus and reserves in proportion to their shipments and deductions. If these producers cease shipping or reduce their proportionate share of the total association shipments, a reduction in the hauling charge would not enable them to obtain their share of the surplus built up by their patronage. On the other hand, new shippers would receive the full benefit of the excess deductions taken in the past without having contributed to the surplus to be distributed. Since the Maryland cooperative law and articles of incorporation of the associations provide for the payment of patronage dividends, and because the method of returning pro-rata to producers the savings of their associations seems to be most equitable, the method of distributing patronage dividends in the form of cash is favored. Furthermore, this method allows the association to charge the rate established by the state utilities or public service commission and charged by private operators. Adherence to an established charge may prevent the undue cutting of hauling charges and at the same time enable the members to obtain hauling at cost and to build a financially strong association.

The Jarrettsville association distributes its excess earnings in the form of cash patronage dividends. Two patronage disbursements have been made, \$5,153.11 in 1931, and \$4,753.58 in 1933, a total of \$9,906.69. The 1931 disbursements were made on the basis of five per cent of the total milk hauling deductions for the five years, 1921 to 1925; the 1933 disbursements were made on a five per cent basis of the total deductions for the period from 1926 to 1929.

The Taylor association uses still another method of giving the active members the advantage of the savings made. When the cash balance becomes unnecessarily large, milk is hauled free for a certain period, usually one month a year. For instance, no charge was made for milk hauled during May, 1934.

EQUIPMENT AND FACILITIES

Due to the relatively simple type of association and of operations, little equipment and facilities are required. The trucks and garages comprise almost the entire capital goods investment.

The Madonna and Shawsville association has in operation three 5-ton trucks of the same make. The milk compartment of these trucks has double walls but no other insulation. The milk is kept cool by ice placed directly on top of the upper layer of cans. This cooling method, although simple, has proved satisfactory for the short haul to Baltimore. This association has three small garages, each built on a site at the starting point of the route and at the home of the driver. These garages were built by the association on the land of the drivers with the provisions that the garages may become the property of the owner of the site if the association should cease to operate or cease to use the garages. The garages are located at Harford Creamery, Madonna and Shawsville. Their original cost is given on the December 31, 1933, balance sheet at \$1,479.79. Besides the trucks and garages the association had \$271.60 in furniture and fixtures.

The Jarrettsville association has three 5-ton trucks of three different makes. One of these is no longer used except in emergencies. This association has one central four-truck garage near Jarrettsville in which the three trucks are kept. The association owns the garage and lot, the combined cost of both being \$3,758.96. Other equipment of the association cost \$447.60.

The Taylor association operates a 3½-ton truck which is kept at the farm of the driver at the north end of the route and about one mile south of Madonna. The association has purchased a building site on the route near Monkton. There is a small house on the lot, suitable for the driver; the association intends to build a garage near-by for the truck.

The Baltimore terminal warehouse is jointly rented by the Madonna and Shawsville and the Jarrettsville association on a monthly basis.

N.R.A. CODE FOR THE TRUCKING INDUSTRY

Under Article II - Definition of the code of the trucking industry the following exemptions are made:

- "(2) Where a farmer is transporting his own property or produce to primary markets or his own supplies on return, or cooperatively transporting to or return from primary markets, the property, produce, or supplies for neighboring farmers for which he does not receive compensation other than by the exchange or service; and
- "(3) The trucking operations of bonafide farmers' cooperative associations to the following extent. When bona fide farmers' cooperative associations carrying on trucking operations in their own vehicles at cost are engaged in transporting the property or produce of such associations or of its farmer members to primary markets, or are engaged in the return transportation of supplies purchased by such associations or farmer member thereof, and are not engaging in transporting for hire or services the general public, then such associations shall be exempt from all provisions of this Code except; (a) the provisions of Article IV dealing with industrial relations; (b) the provisions of Article V dealing with maximum hours of labor, minimum rates of pay and conditions of employment; (c) the provisions of Article VI, Section 4, dealing with registration; (d) the provisions of Article III, Section A, Subsection (1) (b), dealing with reporting; and (e) the provisions of Article III, Section I, Subsection (1) (i)."



